



# Health Services

LOS ANGELES COUNTY

July 14, 2008

## Los Angeles County Board of Supervisors

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First District

Yvonne B. Burke  
Second District

Zev Yaroslavsky  
Third District

Don Knabe  
Fourth District

Michael D. Antonovich  
Fifth District

John F. Schunhoff, Ph.D.  
Interim Director

Robert G. Splawn, M.D.  
Interim Chief Medical Officer

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TO: Each Supervisor

FROM: John F. Schunhoff, Ph.D.  
Interim Director

SUBJECT: **BI-ANNUAL REPORT OF DELEGATED AUTHORITY TO  
ENTER INTO HOSPITAL SERVICES AGREEMENTS  
WITH HEALTH PLANS**

This is to provide the subject bi-annual report pursuant to your Board approval on October 16, 2007, which approved authority to the Director of Health Services to negotiate and execute hospital services agreements with health plans that provide commercial insurance coverage to employer groups and individuals, Worker's Compensation plans, and Medicare and Medi-Cal health plans. The terms of such hospital service agreements shall be for one year, with automatic annual extensions not to exceed a total of five years.

The goal of these agreements is to encourage the contracted health plans to direct their members to obtain contracted specialized services at County hospitals. Unique and highly specialized services provided by the Department of Health Services' (DHS) facilities, include acute rehabilitation services, burn care, and certain complex surgical procedures. Since Board approval, there has been one agreement executed with LA Care for services provided at Rancho Los Amigos National Rehabilitation Center (RLANRC).

Through June 5, 2008, RLANRC has seen one (1) inpatient encompassing a total of 14 inpatient days. The services provided to this patient are projected to generate \$21,294 in reimbursement to the County (see attached).

One of the DHS initiatives to address the projected Fiscal Year 2008-09 budget deficit is to generate additional revenue by contracting with health plans. The Office of Managed Care is currently working with the CEO to secure dedicated positions at the appropriate levels to attract experienced health plan administrators with expertise in managed care contracts and negotiations.

DHS will continue to monitor Managed Care Contract activity on a monthly basis and will provide its next report by December 31, 2008.

If you have any questions or require additional information, please let me know.

JFS:ns (R:/NSTEWART/ManagedCareReport/Managed Care2)  
710:008

Attachments

c: Chief Executive Officer  
County Counsel  
Executive Officer, Board of Supervisors

County of Los Angeles - Department of Health Services

BI-ANNUAL REPORT OF DELEGATED AUTHORITY TO ENTER  
INTO HOSPITAL SERVICES AGREEMENTS WITH HEALTH PLANS <sup>(1)</sup>  
As of June 15, 2008

Health Care Plans	Admissions	Negotiated Revenue <sup>(2)</sup>	Collected Revenue	Uncollected Revenue
LA Care (RLANRC)	1	\$21,294	\$0	\$21,294
	1	\$21,294	\$0	\$21,294

Source: Rancho Los Amigos National Rehabilitation Center (RLANRC)

Footnotes:

(1) Board approved delegated contract authority to DHS on October 16, 2007.

(2) Negotiated revenue is expected to be at or above the hospital's variable cost per day.



WILLIAM T FUJIOKA  
Chief Executive Officer

## County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION  
LOS ANGELES, CALIFORNIA 90012  
(213) 974-1101  
<http://ceo.lacounty.gov>

September 18, 2007

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors,

**DEPARTMENT OF HEALTH SERVICES: APPROVAL OF DELEGATED  
AUTHORITY TO THE DIRECTOR OF HEALTH SERVICES TO ENTER  
INTO HOSPITAL SERVICES AGREEMENTS WITH HEALTH PLANS  
(ALL SUPERVISORIAL DISTRICTS)  
(3 VOTES)**

**IT IS RECOMMENDED THAT YOUR BOARD:**

Authorize the Director of Health Services, or his designee, to negotiate and execute hospital services agreements with health plans that provide commercial insurance coverage to employer groups and individuals, Worker's Compensation plans, and Medicare and Medi-Cal health plans. The term of such hospital services agreements shall be one year, with automatic annual extensions not to exceed a total of five years in length. The scope of services and rates will be in accordance with parameters set forth herein.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

Board approval of this action will authorize the Director to enter into negotiations and execute hospital services agreements with health plans. The goal of these agreements is to encourage the contracted health plans to direct their members to obtain emergency, non-emergency and specialized care at County hospitals. Unique and highly specialized services provided by the Department of Health Services' (Department) facilities, such as acute rehabilitation services, burn care, and certain complex surgical procedures, would be available to this insured population. Currently, the lack of a contract with the County deters medical groups and health plans from directing non-emergent patients in need of specialty care services to County hospitals.

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE B. BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

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Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

Once approved by your Board, the Department will initially focus its efforts on securing contracts between Rancho Los Amigos National Rehabilitation Center (Rancho) and the nine largest health plans in Southern California. As a greater percentage of the population participate in managed health care plans, a lack of contracts with the County has encouraged health plans to redirect enrollees from non-contracted facilities, often to organizations that do not have the specialty care capabilities and expertise of organizations such as Rancho. Contracts with these large health plans will substantially increase the referrals and admissions to Rancho.

#### **Implementation of Strategic Plan Goals**

This request is consistent with Goals 3 and 4: Organization Effectiveness, and Fiscal Responsibility of the Los Angeles County Strategic Plan.

#### **FISCAL IMPACT/FINANCING**

The agreements with health plans executed under the Director's delegated authority are intended to bring increased revenue to the Department's hospital system. These monies will come from contractually negotiated fee for service or capitation payments made by the health plans. State law requires timely payment of complete and accurate hospital claims, assuring continuous cash flow. Further, the contracted County hospitals will be listed in directories as participating health plan network facilities.

The additional services to be provided by Rancho can be covered within the existing FY 2007-08 Adopted Budget. As the increased revenue cannot be reasonably determined at this time, the Department may request adjustments to future fiscal years budgets as needed.

#### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The Department will ensure that all hospital agreements negotiated and executed under this delegation will contain contracted rates that are at or above the aggregate variable cost for all services in each involved County hospital.

Once approved, the Director will submit biennial reports to your Board, on the contracts entered into by the Director using this delegated authority, including the utilization rates at each hospital by each contracted health plan, the number of admissions, bed days used, and revenue generated under each agreement.

**CONTRACTING PROCESS**

Unlike the majority of prior and current hospital service agreements, the Department may utilize the standard hospital agreement provided by the health plans or Worker's Compensation plans in order to expedite execution of the agreements. Such contractual documents will comply with both state law and the required provisions set forth by the California Department of Managed Health Care. These standard agreements contain mutual indemnification clauses and require the use of binding arbitration to resolve disputes. The Director intends to include certain preferred County contractual language that is in the Department's current hospital provider agreements, such as the non-disclosure of contract rates, conflict of interest, termination for improper consideration, and child support enforcement. The Director will include in these agreements, a mandatory "do not compete" provision for the Community Health Plan's Community Provider Plan status for Healthy Families.

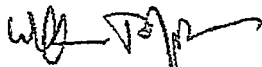
County Counsel and the CEO's Office will review and approve all agreements negotiated under this delegated authority prior to execution. Financial officers at each facility and the Department's Chief Financial Officer will review and approve the payment terms negotiated for each agreement. The Director will notify the Board of its use of this delegated authority via a board memorandum.

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

The degree of impact of such agreements with commercial, Medicare, and Medi-Cal health plans will vary among the hospitals. The financial impact will be positive in all cases, bringing new revenue that contributes to the financial performance of the facilities.

When approved, this Department requires three signed copies of the Board's action.

Respectfully submitted,



WILLIAM T FUJIOKA  
Chief Executive Officer

WTF:SRH:SAS  
DRJ:AMT:bjs

c: County Counsel  
Director and Chief Medical Officer, Department of Health Services